

Submission PER 00154-19: Briefing on the National Broadband Plan for meeting with Minister Bruton

TO:	Minister	AUTHOR:	Brendan Ellison
STATUS:	Completed	OWNER:	Brendan Ellison
PURPOSE:	For Discussion	REVIEWERS:	Patricia Coleman
DIVISION:	Expenditure Management, EU Policy and Audit		
DECISION BY:			

Final comment

Printed and Passed to Klare Havelin for use at meeting at 5pm with Minister Bruton

Action required

Briefing note for the Minister's information in preparation for the meeting with Minister Bruton on 21 February on the NBP

Executive summary

Briefing on the National Broadband Plan, in preparation for your meeting with Minister Bruton is set out below.

Also attached is our more detailed recent submission of 17th January (PER 00040-19) which sets out our views on the subject in greater detail (see attachment).

For the reasons already articulated - including cost, affordability, impact on NDP; Value for money, CBA, etc - we would not recommend that the current NBP project proceed.

In light of the above and given the passage of time since the NBP was devised (2012) it is recommended that the NBP be reviewed in light of developments (including the requirement to develop a national Strategy on 5G, technological developments, increased commercial roll out of broadband, etc). Such a review would facilitate a more manageable roll out of broadband in line with the existing provision in the National Development Plan and having regard to what is affordable, while also giving the State more control over the process.

We also attach a draft proposal for a Plan Z - an alternative interim option to proceed with the roll out of high speed broadband to the priority sites identified by Rural Ireland, that could be funded within the funding allocation already provided for broadband in the NDP. This would target 900 selected Strategic Community Points and up to 900 additional priorities rural sites - and would see broadband being rolled out across all LAs while the review of the NBP was taking place.

Detailed information

As you are aware, DPER would not recommend that the current NBP project proceed in its current format for the following reasons:

- **Cost:** Significant increase in the estimated State subsidy from €800m (Sept. 2017) to [REDACTED] with potential overall Exchequer cost of €2.93 bn (including contingencies [REDACTED])
- **NDP/Capital Plan – 2019-2023:** Additional c. €700m - €1bn of State funding required over 2019-2023 would necessitate the displacement or cancellation of other planned capital expenditure. (This is in addition to the additional capital funding already required to meet the increased cost of the National Children's Hospital).
- **Affordability:** Opportunity costs of capital reallocation (2019-2023).
- **Value for Money:** Robustness/Validity of the Cost Benefit Analysis in terms of underlying assumptions, methodology and data. Pending response from DCCAE to DPER letter of 20th December, the CBA is not currently compliant with the Public Spending Code.
- **Lack of Competition:** In the current procurement process with only one bidder.
- **Reputational damage:** [REDACTED]
- **Risks for the State:** including emerging technologies and recent announcements by other broadband providers, capacity of the final bidder to deliver and heavy reliance on eir's existing network.

Full details of DPÉR's views are set out in our earlier submission of 17th January 2019 - attached.

If the Government decides to proceed with the procurement, it is estimated that **at least an additional €800m would have to be found to fund the project over the next five years** (c. €1bn if additional costs/contingency is taken into account).

In the absence of additional further revenue raising measures, this level of expenditure would displace other capital expenditure priorities and would negatively impact on funding available, for example, for housing, health and education.

Given that the benefits of broadband are widely dispersed among a number of sectors within the economy and the potential overall cost of the project (c. €3 bn inc VAT and if all contingences are drawn down), it would seem that a contribution to the costs would be required from the capital budgets of other Departments. Recent experience in trying to find additional capital for the overrun on the Children's Hospital within the existing capital budget highlights how difficult a task this is.

DCCAE have advanced some proposals in terms of offering additional sources of funding to meet some of the increased costs, including [REDACTED]

[REDACTED] are already factored into budget projections for the coming years as a recurring non-tax revenue item, while [REDACTED] is already envisaged as the source of funding for the NDP Climate Action Fund (subject to enactment of the required legislation to repurpose the levy proceeds).

Even if additional revenue for capital expenditure could be raised, the issue remains as to whether delivery of the NBP under the currently envisaged contract arrangement represents Value for Money.

In light of the above and given the passage of time since the NBP was devised (2012) it is recommended that the current procurement process is not proceeded with and that the NBP be reviewed in light of developments since then (including the requirement to develop a national Strategy on 5G, technological developments, increased commercial roll out of broadband etc). In this context, it is timely that there would be a further public consultation process as well as engagement with the commercial providers/market. The review would facilitate a more manageable roll out of broadband in line with the existing provision in the National Development Plan and having regard to what is affordable, while also giving the State more control over the process. It is accepted that the above review will take time and will likely result in a new procurement process(s).

Pending the outcome of this review and an examination of the most appropriate way forward for broadband delivery, in the immediate term, the roll out of broadband to the priority sites identified by Rural Ireland could be pursued – see draft Plan Z attached. This would involve a budget led approach to delivering connectivity to the sites already identified (community hubs; schools etc). Retail providers could then leverage on this improved connectivity. This would allow roll out of broadband to be progressed across all regions while the review of the NBP was taking place. (It is to be noted that even under the current tender process these sites are prioritised for the early years of the roll out).

It also allows the State to supplement, rather than substitute, private investment and exercise more control over the timing and amounts of funding provided. The funding already provided under the NDP would be available to support this.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Related submissions

There are no related submissions.

Comments

Brendan Ellison - 21/02/2019 12:00

Patricia,

I cannot attach the previous submission as I do not yet have access to the sections files. Could you attach please (and fill in ref no and date thereof).

Brendan.

Patricia Coleman - 21/02/2019 14:50

Minister, we will brief you orally at the meeting at 4.30pm.

Regards,

Patricia

Pamela Roche - 21/02/2019 14:59

Printed and Passed to Klare Havelin for use at meeting at 5pm with Minister Bruton

User details

INVOLVED: Brendan Ellison
Patricia Coleman
Sub_PER Ministers Office
Minister Donohoe

READ RECEIPT: Brendan Ellison
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Pamela Roche
Claire Godkin
Ed Brophy
Michelle O'Connor
Deborah Sweeney
Niamh Callaghan (PER)

Action log

ACTION	USER	DATE	DESCRIPTION
Create	Brendan Ellison	21/02/2019 10:59	Submission PER 00154-19 to Minister created.
Submit for review	Brendan Ellison	21/02/2019 12:00	Submission sent for review to Patricia Coleman.
Submission sent	Patricia Coleman	21/02/2019 13:10	Submission sent by email to Brendan Ellison, Peter Molloy, Barry Lowry.
Submit for review	Patricia Coleman	21/02/2019 14:50	Submission sent for review to Minister.
Submission sent	Patricia Coleman	21/02/2019 14:51	Submission sent by email to Brendan Ellison, Peter Molloy. Message: Peter, Please print a hard copy for the Minister/SG together with the attachments and DCCAE's Supplementary note on NBP funding. Thanks Patricia
Complete	Pamela Roche	21/02/2019 14:59	Submission completed by Pamela Roche.
Submission sent	Michelle O'Connor	12/04/2019 22:24	Submission sent by email to Minister Donohoe, Michelle O'Connor. Message: Minister As requested - Michelle

National Broadband Plan Z

Background

There have been significant concerns for a considerable period of time about the affordability of the National Broadband Plan and the scale of financial commitment required from Government, were it to commit to the award of the NPB roll-out contract to the last remaining bidder. Consequently, the Government requested a group, led by the Department of the Taoiseach and including staff from DPER and DCCAE, to look at possible contingency options to deliver on the government's objective of high speed broadband to all premises in the event of the contract not being awarded under the ongoing procurement process.

Several contingency options were developed over the subsequent few months in tandem with the progression of the procurement process. Potential options identified sought to leverage as much of the existing knowledge and learning as possible in the event of the contract not being awarded. Consequently, they focused on maximising the use made of existing designs and planning and considering the involvement of a new or existing (State) body to lead on any future NBP activity.

However, following exchanges of correspondence between DCCAE (on behalf of the group) and the Chief State Solicitor's Office, it became clear that there were serious risks of procurement challenge if the government were to pursue some of the contingency options (e.g. in the event of the government seeking to select a specific existing State body to roll out the NBP or to the re-use of third-party designs). CSSO also highlighted the risk of challenge even if proceeding with the existing procurement, albeit recognising that the chances of a successful challenge were slim.

Consequently, we have reflected on the most practical short term contingency option available to Government in the event that the Procurement was not taken through to Award of Contract stage and none of the previous contingency options could be enacted. This proposal, which we will call Plan Z, builds upon the discussions with DCCAE and could be implemented in the short to medium term pending the development of a new Strategy/Policy on the NBP.

Plan Z Assumptions

- (i) The Government decides to NOT proceed with the procurement;
- (ii) There is agreement amongst all stakeholders that this is the only reasonable way forward in the short term;
- (iii) There is an urgent connectivity void to fill and the need to create a sense of momentum for 3-5 years, while a more long-term strategic approach is developed and implemented;
- (iv) Since Plan Z does not deal with a new Strategy, which would include industry and public consultation; the selection of a State provider; financial modelling etc, this work should continue in parallel under the responsibility of DCCAE.

NB: much of what is set out below would happen under the existing procurement process if it were to proceed. The strength of this proposed model is a reduced risk of challenge, a reduced procurement time due to the scale and specificity of the requirement, and the use of smaller regionalised procurements to ensure that the most capable company in each area would be contracted to do the work rather than a broader National approach.

The Plan

This Plan would be activated in the short term pending the development and agreement on a revised NBP plan.

The purpose of Plan Z is to create a budget-led approach to developing nationwide support for the NBP initiative by delivering, through small parallel procurements, connectivity to those areas self-prioritised by Rural Ireland as being those of priority need (e.g. primary schools, community centres etc.) These are often referred to as Strategic Community Points (SCPs).

It is essential that this plan is part of a wider digital strategy i.e. that would be set out in the National Digital Strategy, which would align other initiatives with the availability of the broadband. Simple emerging examples would be Digital Assist, Educational initiatives and "TED talks for schools".

The output

The outcome of this initiative will be over three years to give high speed broadband access (including Wi-Fi) to 900 selected Strategic Community Points (see map in Annexe) and up to 900 additional prioritised rural sites. Because these sites will have been chosen by DCRD and Local Broadband Officers, the choices should meet the priority needs and be acceptable to all stakeholders in rural areas. The costs have been calculated on the assumption that the solution may be replaced after five years, though this need not be the case.

The Cost

Staffing:

It is assumed that this team will comprise of staff from OGCI/DCCAE/OGP working closely with DCRD and Local Government Broadband Officers.

- 1 Principal Technologist
- 2 AP Technologists
- 1 AP Procurement
- 2 HEO Technologists
- 1 Consultant
- 1 CO Support

Total Annual Cost (incl. Accommodation): €1.2M p.a. (€6M for 5 years)

Infrastructure (5 Years):

1. To provide a broadband capability to 900 SCP sites & 900 prioritised community sites will cost approximately €49.5M (€20.3 capital & €29.2m total rental cost over 5 years);
2. To provide additional poles a contingency of €5.5M – 550 poles is allowed for;

3. To create an acceptable indoor and outdoor Wi-Fi service to the sites will cost approximately €7.14M (€4.9 capital & €2.24m total rental cost over 5 years);
4. In the interests of equity, we have made provision for demand for a further 900 sites at a cost of €11.8M (€5.2 capital & €6.6m total rental cost over 5 years);
5. In order to do this we have made provision for some extra fibre (€1.2m total rental cost over 5 years);

Costs

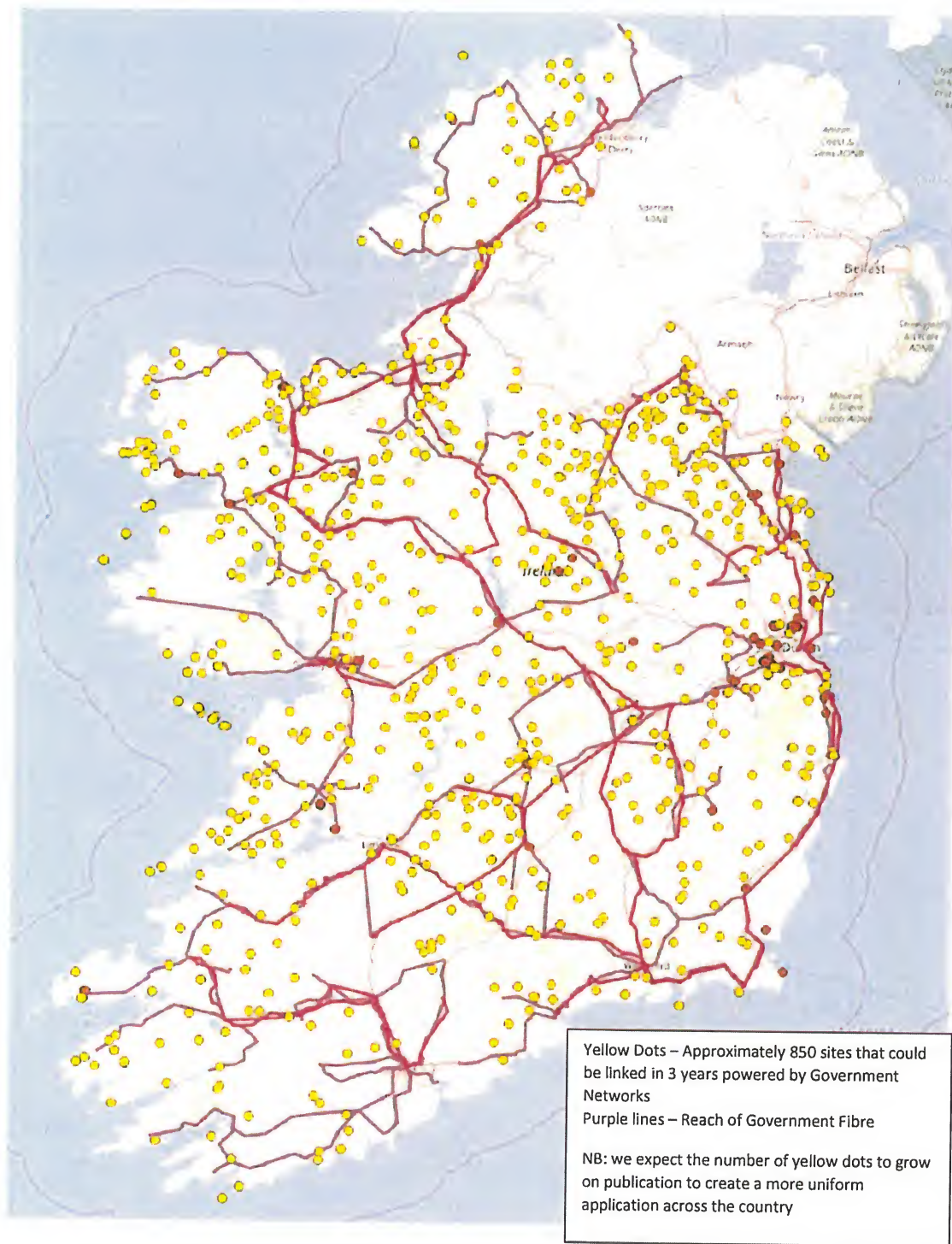
€35.95 capital and €39.24 total rental

€85.72 (incl. VAT @ 13%) & €6M staff costs

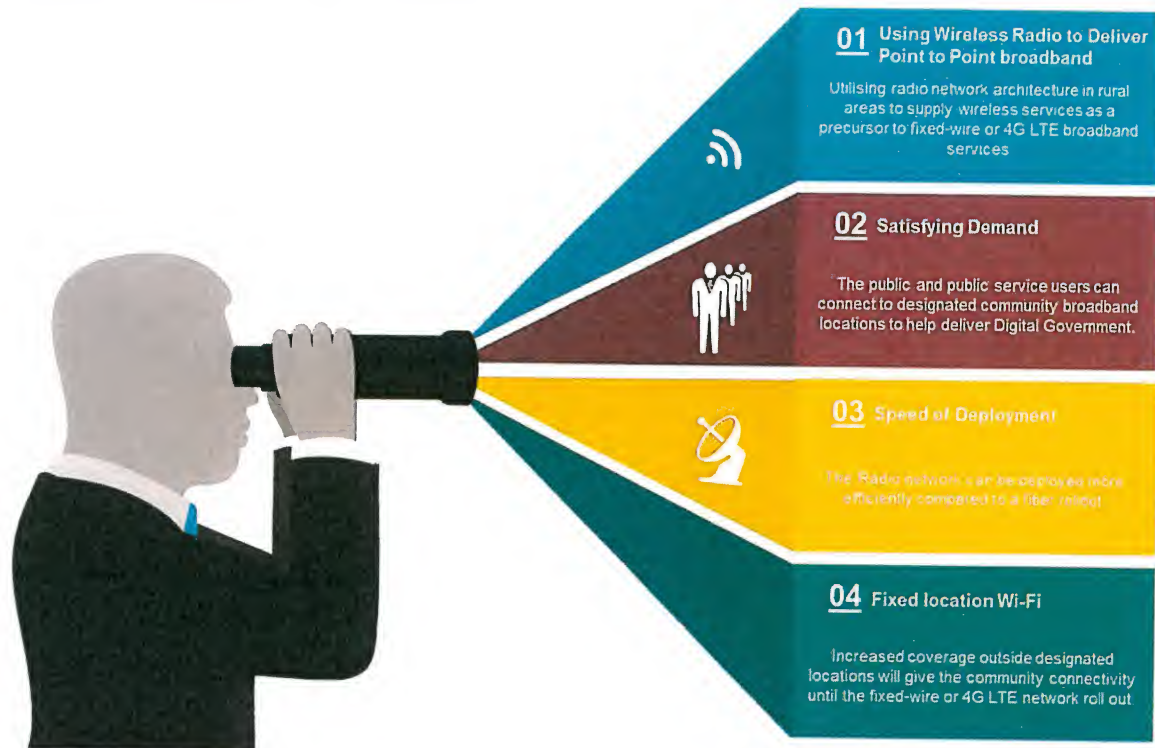
Overall cost is €91.72M

This can be covered within the existing funding envelope.

Annexe 1 – Potential Coverage Map



Annexe 2 – Overview Technical Strategy



Annexe 3 Programme of Works

